



FmHA AN No. 1-1822 (1951)
May 11, 1989

SUBJECT: Calculation of Net Recovery Value by DALR\$

TO: State Directors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide a methodology to have the Debt and Loan Restructure System (DALR\$) automatically calculate a net recovery for borrowers whose loans are secured only by chattels. The intended outcome is that County Supervisors will not have to add back the ATTORNEY FEES, OTHER LEGAL EXPENSES AND ADMINISTRATIVE COSTS OF PROPERTY MANAGEMENT to the net recovery value as shown on the DALR\$ output report for borrowers whose loans are secured only by chattels. This methodology will provide a more accurate net recovery value in those states where such fees only apply to real estate security.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

ADMINISTRATIVE COST OF PROPERTY MANAGEMENT

This cost only applies to real estate security. The DALR\$ Net Recovery Value Constants table must be modified to accomplish this. This is done as follows:

1. From the DALR\$ main system menu, select option F, Add/Verify/Print Rates: Interest/Discount/Net Recovery.
2. Follow the menu selections to add Net Recovery Value Constants.

EXPIRATION DATE: March 31, 1990

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1951-S



1922(1951)

3. Follow directions on the screen to move the cursor to the "Property Management Costs" field under "ADMINISTRATIVE LIQUIDATION COSTS", clear the field and enter a "0" (zero).
4. Follow directions on the screen to exit and update the Net Recovery Constants. DALR\$ will require the new table to be verified prior to making any new calculations.

When this procedure has been followed, administrative costs of property management WILL NOT be AUTOMATICALLY DEDUCTED in DALR\$ net recovery value calculations. To include these costs in cases involving real estate, the following procedure must be followed:

1. One real estate property will have the administrative cost of property management amount entered in the "Other Expense" field. An entry will be made in the "(describe)" field to indicate that the "Other Costs" are the administrative costs of property management.
2. The DALR\$ report must be carefully reviewed after calculations. If multiple real estate properties were entered due to different lien positions, MAKE SURE that one and ONLY ONE property has the entry described in Step 1 above. Multiple entries of administrative property management costs will cause an erroneously low net recovery value.

ATTORNEY FEES

If attorney fees are not incurred in chattel liquidations in your state, the procedures outlined above should be followed to change the "Attorney Cost" field in the DALR\$ Net Recovery Constants table to "0" (zero), and to include these costs for cases involving real estate. The "Other Costs" field and description may have to include both attorney fees and administrative property management costs if circumstances warrant.

If attorney fees are incurred in chattel liquidations in your state, no action is required on this item.

OTHER LEGAL EXPENSES

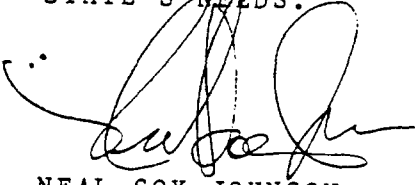
This figure is to include the expense of legal services common to all liquidations, such as lien searches, Sheriff or Marshall fees, recording fees, etc. If these costs are higher for real estate in your state, the following procedure should be followed:

1922(1951)

1. The value in the "Other Legal Costs" field should be the lowest cost (probably for chattel property) for any type of property. If necessary, follow the instructions outlined above for administrative liquidation costs to change the value in the DALR\$ Net Recovery Value Constants table.
2. In cases where "Other Legal Costs" is a higher amount, the additional amount would be shown or added to the amount shown in the field for "Other Expense" and described appropriately.

If there is no significant difference in your state, no action is required for this item.

NOTE: THE FARMER PROGRAMS STAFF FOR EACH STATE SHOULD ISSUE A STATE SUPPLEMENT WITH SPECIFIC DIRECTIONS TO MEET THEIR STATE'S NEEDS.



NEAL SOX JOHNSON
Acting Administrator

Sent by ASD 1:33 Pm to State Directors on 5-12-89. State Directors will immediately distribute to Farmer Programs Chiefs.